

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

SAGINAW AREA GIS AUTHORITY

Saginaw, Michigan

FINANCIAL STATEMENTS

September 30, 2006

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BERTHIAUME
& COMPANY

Certified Public Accountants



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INDEPENDENT AUDITORS' REPORT

To the Executive Committee and Board of Trustees
Saginaw Area GIS Authority
Saginaw, Michigan

We have audited the accompanying financial statements of the business-type activities as of and for the year ended September 30, 2006, which comprises the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Saginaw Area GIS Authority management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Saginaw Area GIS Authority, as of September 30, 2006, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

Berthiaume & Co.

December 22, 2006

BASIC FINANCIAL STATEMENTS

SAGINAW AREA GIS AUTHORITY

STATEMENT OF NET ASSETS

September 30, 2006

ASSETS:

Current Assets:

Cash and cash equivalents	\$ 99,869
Trade receivables	1,002
Total current assets	<u>100,871</u>

Capital Assets (note 3)

	<u>75,252</u>
Total assets	<u>\$ 176,123</u>

LIABILITIES AND NET ASSETS:

Current Liabilities:

Accounts payable	\$ 45,108
Total current liabilities	<u>45,108</u>

Net Assets:

Investment in capital assets	75,252
Unrestricted	<u>55,763</u>
Total net assets	<u>131,015</u>
Total liabilities and net assets	<u>\$ 176,123</u>

The accompanying notes are an integral part of these financial statements.

SAGINAW AREA GIS AUTHORITY

STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS

Year Ended September 30, 2006

OPERATING REVENUES:

Public sector/members – charges for services	\$ 176,214
Private sector – charges for services	24,200
In-kind from Saginaw County	16,000
In-kind from City of Saginaw	20,000
Total operating revenues	<u>236,414</u>

OPERATING EXPENSES:

Accounting and audit fees	5,185
Insurance	2,532
Legal fees	495
Contracted services – County of Saginaw	142,685
Contracted services – City of Saginaw	31,500
Software expense	826
Education, training and other	1,394
Depreciation expense	23,041
In-kind services by County of Saginaw	16,000
In-kind services by City of Saginaw	20,000
Total operating expenses	<u>243,658</u>
Operating income (loss)	(7,244)

NON-OPERATING REVENUES:

Interest income	<u>4,257</u>
Net income (loss) before capital contributions	(2,987)

Net assets, October 1, 2005	<u>134,002</u>
Net assets, September 30, 2006	<u><u>\$ 131,015</u></u>

The accompanying notes are an integral part of these financial statements.

SAGINAW AREA GIS AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended September 30, 2006

Cash flows from operating activities:

Cash received from customers	\$ 205,748
Cash payments for goods and services	170,244

Net cash provided (used) by operating activities	35,504
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Cash flows from capital and related financing activities:

Capital grants received	16,628
Purchase of capital assets	(2,467)

Net cash provided (used) by capital and related financing activities	14,161
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Cash flows from investment activities:

Interest income	4,257
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Net cash provided by investing activities	4,257
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Net increase in cash and cash equivalents	53,922
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Cash and cash equivalents, beginning of year	45,947
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Cash and cash equivalents, end of year	\$ 99,869
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RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating income (loss)	\$ (7,244)
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Adjustments to reconcile operating income (loss) to net cash provided by operating activities:

Depreciation	23,041
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(Increase) decrease in assets:

Accounts receivable	5,334
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Prepaid insurance	2,532
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Increase (decrease) in liabilities:

Accounts payable	11,841
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Net cash provided by operating activities	\$ 35,504
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The accompanying notes are an integral part of these financial statements.

SAGINAW AREA GIS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity and Organization – The Saginaw Area GIS Authority was established on September 20, 2004 by an Interlocal Agreement between twenty-two local governmental units in Saginaw County. The Authority operates a geographic information system as a separate governmental unit pursuant to MCLA 124.507.

Each participating unit of government appoints a representative to the Authority. These representatives constitute the Authority Board of Trustees in accordance with the By-Laws of the Authority.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Authority. There are no component units. The Authority is not a component of any other reporting entity.

The accounting policies of the Saginaw Area GIS Authority conform to generally accepted accounting principles as applicable to governmental units.

Basis of Accounting – The accounts of the Authority are organized on the basis of a proprietary fund type, specifically an Enterprise Fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the Authority's assets, liabilities, net assets, revenues, and expenses.

Measurement Focus – The financial activities of the Authority are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting. Under this method, all assets and liabilities associated with its operations are included on the statement of net assets; revenues are recorded when earned and expenses are recorded when liabilities are incurred.

Cash and Cash Equivalents – The Authority considers its deposits and, if any, restricted deposits, and investments held with maturities of three months or less as cash equivalents.

Investments – Investments, if any, are stated at fair value. The Authority currently has no investments.

Prepaid Expenses – Certain payments to vendors reflect costs applicable to future fiscal years and may be recorded as prepaid items in the financial statements.

Capital Assets – Capital assets are stated at cost or fair market value if donated. Depreciation is computed using the straight-line method based on the estimated useful lives of five (5) years.

Long-Term Obligations – In the Statement of Net Assets, long-term debt and other long-term obligations, if any, are reported as liabilities. Currently the Authority has no long-term obligations.

Revenues/Expenses – Operating revenues and expenses generally result from providing services. All other revenues and expenses are reported as nonoperating.

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent asset and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority's deposits are in accordance with statutory authority. The Authority does not have any investments.

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it.

The Authority's cash is included on the Statement of Net Assets in the amount of \$99,869. It is comprised of bank deposits that are reflected in the accounts of the bank (without recognition of checks written but not yet cleared, or of deposits in transit) at \$99,869. The entire amount was covered by federal depository insurance.

SAGINAW AREA GIS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2006 was as follows:

	Balance October 1, 2005	Additions	Deletions	Balance September 30, 2006	Depreciable Life
Capital assets being depreciated:					
Computer equipment	\$ 2,756	\$ 2,467	\$ -	\$ 5,223	5 years
Orthophotography data	109,980	-	-	109,980	5 years
Total	112,736	2,467	-	115,203	
Less accumulated depreciation	16,910	23,041	-	39,951	
Net total capital assets	\$ 95,826	\$ 20,574	\$ -	\$ 75,252	

NOTE 4: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions. The Authority has purchased commercial insurance for property loss, torts, errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage.



December 22, 2006

To The Board of Directors
Saginaw Area GIS Authority
Saginaw, Michigan

We have audited the financial statements of the Saginaw Area GIS Authority for the year ended September 30, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

We conducted our audit of the financial statements of the Saginaw Area GIS Authority in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Saginaw Area GIS Authority are described in Note 1 to the financial statements. We noted no transactions entered into by the Saginaw Area GIS Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Other Communications

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Authority's financial statements and this communication of these matters does not affect our report on the financial statements, dated December 22, 2006.

Summary

We welcome any questions you may have regarding the foregoing.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants